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SUBJECT: NICARAGUA: STAFFDEL JANUARY 9-11 VISIT TO REVIEW MILLENNIUM  
CHALLENGE CORPORATION PROGRAM

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SUMMARY

1. (SBU) Two staff members of the U.S. House of Representatives Committee on Foreign Affairs saw first-hand implementation of the Millennium Challenge Corporation's (MCC) Program in Nicaragua on January 9-11. The staff members were pleased to learn that a high percentage of women are participating in MCC's projects as rural entrepreneurs and as staff members of the Millennium Challenge Account-Nicaragua Foundation (MCA-N), which is the accountable entity for the MCC Program. MCA-N staff noted that despite the initial delays in getting the MCC program up and running in FY 2006, they anticipated continued, full budgetary execution for their projects in the coming fiscal years. In addition, prominent Nicaraguan intellectuals, business leaders and former Government of Nicaragua (GON) ministers said that MCC projects are a critical tool to foster Nicaragua's economic development.

EMBASSY AND DONOR BRIEFINGS

2. (SBU) On January 9-11, Ms. Robin Roizman and Ms. Robyn Wapner, professional staff members for the U.S. House of Representatives Committee on Foreign Affairs, visited Nicaragua to review project implementation of the Millennium Challenge Corporation (MCC). Upon arriving in Managua on January 9, the staff delegation (staffdel) met with the Ambassador and Embassy Country Team for a briefing, and had an afternoon roundtable discussion on development assistance to Nicaragua with bilateral and multilateral donors, including the Canadian Embassy, the Inter-American Development Bank, the International Monetary Fund, and the United Nations. The donor community felt that cooperation with the Ortega administration improved during the latter part of 2007. They said that initially the GON wanted to impose its own way of coordinating donor assistance, but Hurricane Felix and the floods required the GON to take a more cooperative approach with donors (reftels). Donors remain concerned that the Ortega administration will pursue ideologically-driven fiscal and economic policy goals instead of prudent economic policies that promote economic growth, attract investment and reduce poverty.

SITE VISITS AND MEETINGS IN CHINANDEGA AND LEON

3. (SBU) On January 10, the staffdel met with the Women's Council of the Northwest region and conducted site visits to three MCC projects in Chinandega and Leon, two departments in western Nicaragua. The staffdel visited a plantain farm/processing plant and a dairy plant in Chinandega, and the municipal property registry in Leon. The



Staffdel met with the MCA-N staff to understand the Compact's disbursement trajectory, including an explanation of plans to disburse more rapidly in the coming fiscal year as a result of the Infrastructure Project. Their visit concluded with a discussion on Nicaragua's economic and political climate with several prominent Nicaraguan economists, business leaders and former GON ministers.

#### LOCAL COMMUNITIES SUPPORTIVE OF MCC ASSISTANCE

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¶4. (SBU) During the staffdel visit, a number of themes emerged. One was that beneficiaries of the MCA Program thanked MCC for its support and enthusiastically lobbied the staffdel for more assistance. Entrepreneurs, community leaders and citizens said that the MCC had helped to provide their communities jobs, business and export opportunities for their products, and confidence to expand their production for existing and new crops. One local producer from Chinandega told the Staffdel that MCC has provided his community with hope for a better future, which was nonexistent before the implementation of these projects.

#### NICARAGUAN WOMEN ACTIVELY INVOLVED IN MCC PROJECTS

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¶5. (SBU) Another highlight of the visit for the staffdel was to see the active participation of Nicaraguan women in MCC programs. During their meeting with the Women's Council of the Northwest region, the Staffdel was pleased to learn that women represented 20 percent of the participants in MCC's program as rural business entrepreneurs. Marina Maradiaga, leader of the Indigenous Women's Association of Sutiaba Xochilt Acatl (an indigenous community in Leon), told the Staffdel that women must become more involved in Nicaragua's economic development. She noted that 52 percent of Nicaragua's population are women, and that they and their children are disproportionately affected by poverty, lower levels of formal education, and a lack of jobs and professional development opportunities.

#### MCC PROJECT IMPLEMENTATION

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¶6. (SBU) Juan Chamorro, General Manager for MCA-N, briefed the staffdel regarding project implementation for MCC programs. Chamorro and MCA-N board members told the Staffdel that although there were delays in getting the MCC program up and running in FY 2006, they anticipated continued, full budgetary execution for their projects in the coming fiscal years. He explained that hiring new staff, resolving logistical issues such as acquiring office space, and fully understanding the procurement process caused delays in implementing MCC projects.

#### NICARAGUANS VOICE CONCERNS ABOUT ECONOMIC DEVELOPMENT

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¶7. (SBU) Several prominent Nicaraguan economists, business leaders and former GON ministers told the staffdel on a number of occasions that MCC projects are a critical tool to help foster Nicaragua's economic development. They believed that the MCC's focus on infrastructure development, export promotion, small and medium enterprise development, and the rule of law (property rights) targeted important economic areas that needed assistance, and encouraged the United States to invest more money in these areas via MCC. They said the GON must do more to help infrastructure development, particularly in the energy sector.

¶8. (SBU) The Staffdel's Nicaraguan interlocutors also expressed concerns that Nicaragua's economic growth, estimated at 3.4 percent in 2007, must reach 8-10 percent over a sustained period of 10-15 years to alleviate poverty and create jobs. They noted that investment in the tourism and real estate sectors has declined slightly because both foreign and local investors are waiting to see what kind of investment climate the Ortega administration will promote. The Nicaraguans agreed that their country has the natural resources and labor force to attract significant investment to foster Nicaragua's economic development, but they questioned whether the Ortega administration will provide the necessary political leadership, and macroeconomic, investment, and trade policies to do



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19. (U) This cable has been cleared by staffdel.

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